

ANALYSIS ON THE EFFECTIVENESS OF AXIS MOBILE INTERNET STRATEGY AND IDENTIFICATION OF AREAS FOR FUTURE IMPROVEMENTS

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Abstract— The market penetration for voice and SMS has reached 100% and style of communication has change using data (mobile internet). Mobile internet has be new source that is expected to increase operator revenues. The development of mobile internet technology from 2G (EDGE) to 3G (HSDPA) and smart phone supports the development of mobile internet users in Indonesia. For three years Axis quite successfully apply Cost Leadership strategy to compete with the other operators, especially with medium-class operator. In 2011, Axis revenue growth target didn't fit with target which grew only 90% of the target of 100%. Axis has a target to 3 major operators in Indonesia within the next two years to reach this target, the Axis have to compete with the current three major operators. Based on existing problems, AXIS should immediately make improvements in all business lines including mobile internet. This thesis has focused on analyzing the right strategy for mobile internet using qualitative data and using Axis Five Forces Framework and SWOT analysis. The result from Five Forces Framework is industry of mobile internet have good prospect and using SWOT analysis to find the strength and weakness of AXIS. From 5 Business level strategies, find the best strategy is differentiation strategy. Differentiation strategy start from develop customer loyalty program, maintain quality coverage area of mobile internet, aiming for premium users and bundling programs on high-end gadgets are feature or system need to apply in Axis for this strategy..

Keywords: mobile internet, Five Forces Framework, SWOT, 5 business level strategies

I. INTRODUCTION

Axis has produced its first product in 2008. Axis before the year 2010 was called Natrindo Telepon Seluler (NTS) then with the change of majority shareholder of the NTS changed to Axis Telekom Indonesia until now. Now, Axis have own by Saudi Telecom Company as majority shareholder around 80.01% and Maxis (Malaysian Telecom Operator) around 14.9 % and local partner around 5%.

AXIS is the fastest growing national GSM mobile operator in Indonesia. The company provides 2G, 3G and BlackBerry services nationwide and covers the world through over 300 international roaming partners in almost 150 countries. AXIS aims to make mobile

voice, SMS, data and content services available and affordable to all in Indonesia. The brand first launched service in February 2008 and introduced a different approach in the marketing of its products and service offerings by being simple, easy to understand and straightforward with its tariff plans. The company also challenges the market norm by providing honest offers without hidden terms and conditions.

Innovative partnerships and continued investment are driving AXIS rapid expansion and positions the company as a national brand with more than 80% population coverage in Indonesia, covering Sumatra, Java, Bali, Lombok, Kalimantan and Sulawesi. AXIS service is now available in more than 400 cities across the country and is now the 4th largest operator in Indonesia in terms of coverage. AXIS high-speed mobile broadband services have been launched in Bandung early June 2011 and will be continued to other major cities. The company employs more than 800 customer focused, business and technology professionals.

AXIS has values that have been adapted to the circumstances that the company continues to grow. With the formulation of a clear and easy to be realized in everyday practice, AXIS Values can be a handle to affirm the slogan "Good GSM". It is important for all employees to believe and live the AXIS values in order to make consumers believe in AXIS. These values are grouped to be applied in the internal and external.

As with other developing countries, development and modernization of the telecommunications infrastructure is an important factor in the general economic development in Indonesia. Besides, a large population and significant economic growth has led to high demand for telecommunications services. As cellular penetration rates increase, telecommunication operator telecommunications are expected to increasingly focus on expanding data services to support revenue growth. Anticipated growth in data services is expected will be driven primarily by the low penetration of services fixed broadband in Indonesia, which encourages the adoption mobile internet, and also because of the bidding innovative and affordable telecommunications operator, and popularity of social networking and mobile applications that have

multimedia features. Indonesian telecommunications industry is highly competitive and that recent competition has been, and is expected to continue to be, primarily driven by continued affordable pricing, as well as network coverage, quality of services and scale of subscriber base.

Life style of customer in term of communication has change from voice and SMS to data communication. Customer prefers using chatting to communicate each others. Social networks have become a new way of communication for customers. on acquisitions as their business goals. Customer retention has now become even more important than customer acquisition.

In the telecommunication industry especially in mobile internet, customers are able to choose among multiple service providers and actively exercise their rights of switching from one service operator to another. In this competitive market, customers demand tailored products and better services at less price, while service providers constantly focus on acquisitions as their business goals. Customer retention has now become even more important than customer acquisition.

II. BUSINESS ISSUE EXPLORATION

Since three years ago telecommunication industry has been a challenging yet promising year in Indonesia. The voice market has increasingly shown signs of saturation and substitution to Data. The growth of subscriber's traditional services of voice and SMS is tapering with market maturity. Competitive dynamics in the first half of the last year was intense with pricing competition. However with all the changes occurring in the traditional telecommunication business, we have identified a growing underlying demand for Data among Indonesians today. Communication behavior is changing and will continue to do so in the future. The growing affluence of the population, increased availability of data-capable feature phones or smart phones coupled with the increasing appetite for data, point towards a strong opportunity in this segment.

The growth of data volume was not linear to revenue growth. New problem come when many customer only using internet for mobile internet. The traffic used by this customer very huge. Many operators only provide the link without value added to customer.

Trend of telecommunication in Indonesia and overseas will move on basic services to data. Trend revenue from basic product was mature and has slow growth in the future. Mobile internet is having bright prospect than other product. Many operators have developed this business from 5 years ago. Mobile internet has promise growth see Figure 1.

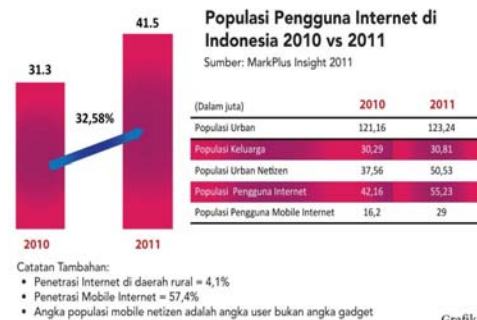


Figure 1 Mobile internet Growth

From the picture 3.1, information obtained by the majority of Internet users come from users of mobile internet, mobile internet has advantages in terms of mobility compared to the fixed internet. In the future, Mobile internet will growing in line with development of mobile internet technology so that mobile internet customer will get better service and affordable prices.

A. Conceptual Framework

Using the framework of methodology to find best strategy for Axis to compete with other big three operator. Methodology using five forces Porter to analyze telecommunication industry include mobile internet. In 5 Forces Framework analyze some point, there are:

i) Rivalry Competition,

Since the issue of the 1999 Telecommunication Act No. 36 on the liberalization of telecommunication industry in Indonesia, government has given opportunities to all private domestic and foreign parties to invest in this industry. In effect, exclusive rights and monopoly owned by PT. Telkom and PT. Indosat has been removed. Now in Telecommunication industry have 9 players include GSM and CDMA operators.

ii) Threat of New Entrants

In telecommunication industry, the affect of economic scale is quite significance barrier for new entrants to compete with existing competitor. Especially for build new network technology need massive fixed cost. In effects, economic scale value will be owned by companies with quite big network capacity compared to new operators which only have limited network and capacity because of the fixed cost expense like the construction aerial tower, purchasing supporting equipment, advertising, followed by an increase in the number of subscriber using telecommunication services especially mobile internet which result in the deduction of fixed cost. Reputation and brand identify is important, existing operator have good reputation and brand identify for customer. In regional area, Big three have strong reputation than other competitor. Telkomsel as pioneer in this industry have good reputation as the

- best operator in Indonesia in many areas. Bakrie Telkom as CDMA Operator has identical with cheap price in Indonesia telecom industry. Reputation has longer time in customer mindset than short term promotion. For new entrants must spending many for build reputation and brand identify in media. Axis spends huge money to build reputation and brand awareness in mass media (TV, radio, magazine, and online etc).
- iii) Threat of product substitute
Substitute products are goods or services from outside a given industry that perform similar or the same functions as a product that the industry produces. In general, product substitutes present a strong threat to a firm when customers face few, if any, switching costs and when the substitute product's price is lower or its quality and performance capability are equal to or greater than those of the competing product. Substitute mobile internet product comes from fix internet like Telkom Speedy, Fast Net First Media. And the potential substitute comes from WiMax technology. WiMax didn't get priority from government for mobile internet compare with GSM technology. Government only gives license to WiMax 802.16d fixed internet. Market growth for WiMax in Indonesia is less obvious. Mobile internet have more prospect because growth of fix internet in Indonesia very slow.
- iv) Bargaining Power of Supplier,
Increasing prices and reducing the quality of their products are potential means suppliers use to exert power over firm competing within an industry. If a firm is unable to recover cost increase by its suppliers through its own pricing structure, its profitability is reduced by its suppliers. There are two kinds of mobile internet supplier are infrastructure and support. Axis has many suppliers for infrastructure like Huawei, Juniper, F5, Ericsson and others. Huawei became the majority supplier of infrastructure mobile internet Axis. Axis also support by many supplier for supporting business mobile internet like Carmen, Siebel, Openet and others. Suppliers in telecommunication industry for core network and radio transmission are very limited. Only 4 suppliers in this part like: Huawei, Nokia Siemens Network, Ericsson, Alcatel Lucent and ZTE. Now Huawei is the biggest supplier in Indonesia. Huawei provide their technology almost in all operators. Now, Huawei as prime supplier not only provided technology but also human resource as Manage Services of network.
- v) Bargaining Power of Customer
In all industry, companies seek to maximize the return on their invested capital and buyers always want to buy products or services at the

lowest possible price which the industry earns the lowest acceptable rate of return on its invested capital. To reduce their cost, buyers bargain for higher quality, greater levels of services and lower prices. Buyers have stronger bargaining power than operator because competition is very tight; buyer can easily to replace the product with competitor product. We can see churn rate of each operator to validate this information. Some factor will effect for bargaining power of buyer:

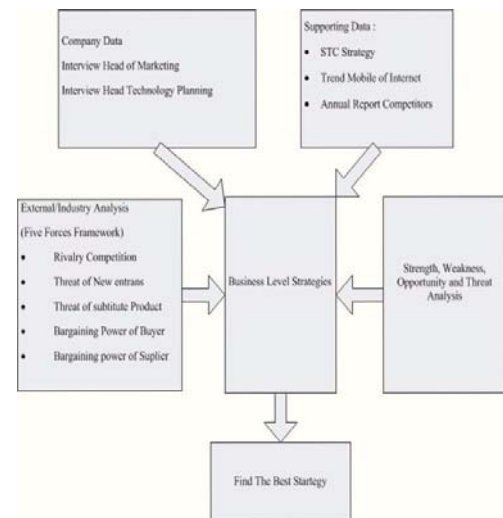


Figure 2 Framework of Methodology

SWOT Analyze use in this framework to find strength, weakness, opportunities and weakness of AXIS.

- i) Strength of AXIS
- Strong Financial Condition*, AXIS support by STC \$1.2 Million for Expansion new network especially for mobile internet
 - Good skill in advertising and promotion*, Axis won business marketing award in 2010, 2011 and 2012 from Telecommunication magazine (Selular).
 - Good customer service capabilities*, Axis having good Customer services and simple handle call center. Axis can contact 989 for free call from Axis number. Axis also have call center in social media (Facebook and twitter) to give quick response for customer.
 - Cost Advantage over rival*, Cost advantage is effective strategy for new comer in industry. Axis applies cost advantage to get market from existing competitor. Axis mobile internet product also using cost advantage to compete with other mobile internet products.
- ii) Weakness of AXIS
- Loyalty of Customer Axis is low*, Loyally customer is important thing for company after established more than 3 years. Market penetration for mobile internet will be Saturn in the future. Operator should not only grab customer from existing competitor but also

- have program to retain their customer. Axis must have retention program for existing customer. Axis can start build Customer Relationship Management and Customer Experience Management.
- b) *AXIS Coverage still focus in Java Area*, Coverage is one of the key factor successes in telecommunication industry. Good coverage of services must cover all customer and candidate customer. Compare with XL Axiata have 10500 BTS (2012), Axis only have 3000. In 2012 Axis still focusing to expand more BTS/Node B in Java island. Axis believes can compete with big operator in Java. Axis rent XL network to provide services in Sumatra, Sulawesi and Kalimantan Axis customer get lower priority. In the future axis must have network outside java especial in big city like Medan, Palembang, Balikpapan, Makassar, etc. In other area, Axis can rent from Tower Bersama or other to provide infrastructure.
 - c) *Segmentation product is not clear and effective for high end user*, Now axis has four segments based on occupation: 1) teenager 2) senior citizen 3) professional 4) fresh graduate/junior professional. But product of mobile internet AXIS not specific to services in each segment especially no specific product for high end customer. AXIS has two product mobile internet from broadband: Aksis Eksis and AXIS PRO. AXIS Pro was design for high end user but in actual services no any differentiation between AXIS Pro and Aksis Eksis.
- iii) Opportunities of AXIS
 - a) *Mobile internet growth more than 20% in Indonesia*, Mobile internet is a “blue ocean” compare with basic product voice and SMS already “Red Ocean”. Subscriber mobile internet around 15% of Indonesia population compare with basic product has reach 100% market penetration.
 - b) *Trend Smartphone in Indonesia*, Smartphone is new trend in Indonesia. Begin from Blackberry era, now Iphone and Android is dominate smartphone segment in Indonesia.
 - c) *CDMA technology was difficult to compete with GSM technology*, Telecommunication has 2 type technologies GSM and CDMA. In Indonesia have operator for GSM and CDMA. Operator CDMA is difficult to compete with GSM operator because development CDMA technology very slow because compare with GSM. Bakrie Telkom and CDMA Flexi have performance downgrade.
 - iv) Threat of AXIS
 - a) *Increasing bargaining power of network supplier*, Supplier is important part in all industry. Power of supplier must less than operator, if supplier has more power than operator, than supplier will control decision and planning of operator. Operator also have difficult to enhance their technology because have dependency with supplier. Especially from China vendor. Supplier in telecommunication have two kind are network supplier and general supplier. In network telecommunication, supplier is limited. Suppliers in this type are: Huawei, Nokia Siemens Network, Alcatel, ZTE, Ericsson and other. Axis must control bargaining power of supplier by using two or more as network supplier.
 - b) *Rapid Changes in technology mobile internet*, Technology in mobile internet is growing so fast. Operator must clear calculate of financial aspect when they need to update new technology. Because technology in mobile internet is very expensive compare with basic services. Technology for mobile internet is very dynamic and fast. Because upgrade for new technology is expensive so operator include Axis must utilize new technology based on customer need. In 2012 Axis still doing implement HSDPA in Bandung and Jakarta. HSDPA is the latest technology for mobile internet was commercial implement in Indonesia. In next few years, new technology for data will change to LTE. Axis must prepare from infrastructure until support technology for implement LTE in the future.
 - c) *Trend of social media*, Trends of using social networking in Indonesia are quite a large. In fact, in terms of the number and intensity, Twitter users and Facebook was ranked third in the world. The Growth of social network very quickly lead to social network traffic is high but has no added value to the operator. Axis must capture the trend of subscriber mobile internet to make specific product base on customer behavior.
- B. Method of Data Collection and Analysis**
- Method of Data Collection in this research using qualitative data from interview key person from Marketing and Technology. They give information from direct interview to get information about current strategy and strategy in the future in term of marketing and technology.
- Supporting data also get from other personal interview who have experience in mobile internet industry like: CEO XL, CEO Telkomsel, consultant firm. Other support data also get from XL annual report, Telkom Annual report, STC annual report, magazine and other source.

C. Analysis of Business Situation

Industry analysis using Five forces Framework show Mobile internet in Telecommunication industry have good prospect in the future compare with basic product. The qualitative data from Axis key person to analyze strength, weakness, threat and opportunities. The result of analysis finds some weakness and strength as key success factor of AXIS. The weakness need to improve by find best strategy for Axis. Find the best strategy also needs check to internal resources of Axis from human resources, financial resource and supporting resource. Differentiation is the best option for Axis to compete with other competitor after check the resource and capabilities of Axis.

Customer satisfaction is the result from strategy competitiveness by using competitive advantage as the basis for competing in individual product markets. The most successful companies try to find new ways to satisfy current customer and meet new customer. The managing customer relationship depend on who determining the customers to serve, what determining which customer needs to satisfy and how determining core competencies necessary to satisfy customer need.

The purpose of a business level strategy is to create differences between the firm's position and those of its competitors. Firm choose from among five business level strategies to establish and defend their desired strategic position against competitors. Each business-level strategy helps the firm to establish and exploit a particular competitive advantage within a particular competitive scope.

Axis has applied cost leadership strategy to compete with existing competitor. Cost leadership is effective strategy for beginner in an industry. Axis as new comer success applies this strategy. After 4 years, Axis still develop network infrastructure, build many business process, and build a tool to check and control Probe system. Cost leadership will be difficult to apply in long term for company sustainability. Bakrie Telkom as sample of operator keeps doing cost leadership more than 5 years. Now Bakrie Telkom has difficulties in finance for expansion and operation.

III. BUSINESS SOLUTION

After analyze data using 5 business level strategies, the best fit strategy for AXIS is Differential strategy apply in telecommunication industry as services industry. Axis need apply innovation and continues improvement in all segments include technology, marketing, organization and other. Same continue improvement need to apply in Axis to support different strategy, these are:

i) *Generate Product based on Clear Segmentation for high end customer*

Axis most generates focus and clear product based on segmentation. Customer insight must develop to find customer behavior in each segment. Axis needs focus to develop premium user using give good quality services. Following product feature have to be added in premium user are good quality services, exclusive customer

services and priority to access a network when have issue in network infrastructure.

ii) *Develop Loyalty Management Program*

Loyalty program begin from build comprehensive Customer Relationship Management from Customer Service, Sales and Marketing. Now Axis only builds CRM for customer services. Axis has using Siebel as CRM for customer services. Axis must build integrate CRM from customer services, sales and marketing. Axis should implement Customer Experience management to improve loyalty of customer. Build a community is sample way to improve loyalty customer. Telkomsel has launch Simpati zone for their prepaid customer.

iii) *Generate Promotion using Bundling Product*

Most premium user trust using other big operator than try using Axis mobile internet whether they didn't got good services. Axis must have program to promote high end services for them using bundling with high-end gadget like Iphone, Samsung Tablet and others.

iv) *Focus and Maintain Network High Speed Data Quality*

Axis must focus and maintain network coverage quality in profitable and potential business area. Axis must understand which areas of high speed data usage of mobile internet. Office, central entertainment, and home are area need to cover good quality of network. JABOTABEK is important area need to cover good quality mobile internet. Axis should develop high speed data in other area like Surabaya, Semarang, Bandung, Medan and Makassar.

IV. CONCLUSION AND IMPLEMENTATION PLAN

Current condition Axis using cost advantage strategy to compete with other operators. In the fact, Axis have difficulties to compete with big three operator (Telkomsel, XL and Indosat). Axis must look new opportunities to compete with incumbent operator in Telecommunication industry. After Axis launches the first product in 2008, Axis must apply new strategy for mobile internet AXIS to compete with other operator> Not only grab customer but also hot to retain their customer. Strategy differentiation is fit strategy for Axis in the future. AXIS will have enough resource to compete with Big there in all area AXIS in Sumatra and Kalimantan. Axis must start to develop high end and premium user. Axis can improve feature in product for Mobile internet with specific product for Premium User. Axis has good branding and reputation in customer medium- low end. Axis must continue develop mobile internet because market penetration for this product still low. Axis was having basic technology to support mobile internet and must speed up to expansion high speed data technology in potential area. Axis must develop CRM and CEM to increasing loyalty customer. Both tools will help Axis

to make efficiency in business model for customer oriented.

Axis will have some challenge to implement strategy integrated differentiation and cost. The challenge will come from internal and external. In internal challenge, AXIS should make clear mobile internet strategy short term and long-term. In implementation execution will find some in internally: a) Execution strategy and b) Financial issue. In External Challenge, Implementation has challenge come from competitors, customer switching/churn rate and trend of technology change very fast

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